

Speech notes, Australia India Institute

Lance Hockridge, Managing Director & CEO, Aurizon

5 November 2015

GOOD AFTERNOON AND THANK YOU FOR THE OPPORTUNITY TO SHARE SOME THOUGHTS WITH YOU AS PART OF THE TIFFIN TALK PROGRAM.

IN KEEPING WITH AURIZON'S COMMITMENT TO RECONCILIATION AND RESPECT, I ACKNOWLEDGE THE TURBAL AND JAGERA PEOPLE AS THE TRADITIONAL OWNERS OF THE LAND WHERE WE GATHER AND RECOGNISE THAT THIS LAND HAS ALWAYS BEEN UNDER THEIR CUSTODIANSHIP.

I PAY MY RESPECT TO ELDERS PAST AND PRESENT AND TO EMERGING COMMUNITY LEADERS. I ALSO EXTEND RESPECT TO ALL ABORIGINAL AND TORRES STRAIT ISLANDER PEOPLE HERE TODAY.

I AM GRATEFUL FOR THE INVITATION FROM JIM VARGHESE, AND WELCOME THE CONTINUING WORK OF THE AUSTRALIA INDIA INSTITUTE IN PROMOTING BUSINESS AND CULTURAL RELATIONS BETWEEN OUR TWO COUNTRIES.

I SEE OUR COLLECTIVE ROLE AS ENGENDERING BETTER UNDERSTANDING - LOOKING BOTH AT OUR RICH HISTORY AND, MOST IMPORTANTLY, TO A MUTUALLY-BENEFICIAL AND PROSPEROUS FUTURE.

I DO NOT PROFESS TO BE AN EXPERT ON INDIA BY ANY STRETCH OF THE IMAGINATION, HOWEVER I CAN LAY CLAIM TO AN ENDURING PERSONAL INTEREST AND ASSOCIATION WITH INDIA INCLUDING VISITS GOING BACK FOR MORE THAN 20 YEARS.

IT DOES CONTINUE TO SURPRISE ME HOW LITTLE IS REALLY KNOWN ABOUT AUSTRALIAN LINKS AND TRADE WITH INDIA, AS WE GET SEEMINGLY CONSUMED AND CONFINED TO PUBLIC DISCUSSION ABOUT CHINA.

FEW KNOW FOR EXAMPLE THAT IN THE SIX MONTHS TO JUNE 2015, INDIA ECLIPSED JAPAN AND CHINA AS THE SINGLE LARGEST MARKET FOR AUSTRALIAN METALLURGICAL COAL.

AND EVEN FEWER WOULD REALISE THAT IN 1799, AUSTRALIA'S VERY FIRST EXPORT OF COAL WAS TO BENGAL INDIA FROM NEWCASTLE.

THIS STORY, IF YOU WILL INDULGE ME, WAS A QUINTESSENTIALLY AUSTRALIAN TALE.

THE YEAR WAS 1797, A LITTLE LESS THAN THREE DECADES AFTER EUROPEAN DISCOVERY OF AUSTRALIA.

A GROUP OF CONVICTS IN SYDNEY DECIDED THEY WEREN'T SO HAPPY WITH THEIR NEW LIFE IN AUSTRALIA. SO THEY SEIZED A SHIP, THE *HMS CUMBERLAND*, THREW THE OFFICERS OVERBOARD AND SAILED NORTH FOR WARMER SHORES.

BUT THE BOATLOAD OF CONVICTS ARE NOT THE MAIN PART OF THE STORY. THIS ROLE FALLS TO AN ENGLISH LIEUTENANT – JOHN SHORTLAND – WHO WAS IN PURSUIT OF THE STOLEN SHIP, BECAUSE HE MADE LANDING NEAR THE MOUTH OF A LARGE RIVER AT NEWCASTLE AND SAW COAL ALONG THE RIVERBANK. HE RETURNED TO SYDNEY WITH REPORTS OF A DEEP-WATER PORT AND ABUNDANT COAL.

THAT RIVER WAS, OF COURSE, THE HUNTER RIVER. AND IT WAS FROM HERE THAT THE POTENTIAL OF THE AREA BEGAN TO BE RECOGNIZED. WHAT IS TRULY REMARKABLE IS THAT JUST TWO YEARS LATER, FIFTY TONNES OF COAL FROM NEWCASTLE WAS PUT ONTO THE BARQUE *HUNTER* AND SENT VIA SYDNEY TO BENGAL IN INDIA – BECOMING AUSTRALIA’S VERY FIRST COAL EXPORT. THAT ALSO SAYS A LOT ABOUT THE INNATE RESOURCEFULNESS AND ABILITY OF AUSTRALIANS IN THOSE EARLY COLONIAL YEARS TO GET THINGS DONE.

LET’S START TODAY THEN WITH A FEW CONTEMPORARY FACTS.

THESE ILLUSTRATE THE INTEREST FOR AUSTRALIA AND FOR AUSTRALIAN COMPANIES, LIKE AURIZON; AND THE TREMENDOUS, EMERGING OPPORTUNITIES WITH THE INDIAN ECONOMY.

INDIA AS THE WORLD’S LARGEST DEMOCRACY WITH A POPULATION OF 1.2 BILLION - IS EXPERIENCING SUSTAINED GROWTH IN THE ORDER OF 7% PLUS PER ANNUM.

THIS YEAR INDIA HAS SURPASSED CHINA AS THE WORLD’S FASTEST-GROWING MAJOR ECONOMY. INDEED BOTH OECD AND IMF PROJECTIONS SEE INDIAN GDP GROWTH BEING STRONG AND STABLE AT BETWEEN 7.2 AND 7.5% OVER THE NEXT COUPLE OF YEARS. <SOURCE IMF’S WORLD ECONOMIC OUTLOOK OCTOBER 2015>

STRONG MACRO-ECONOMIC FUNDAMENTALS ARE REFLECTED IN A RAPIDLY GROWING MIDDLE CLASS, INCREASED RATES OF URBANISATION, PER CAPITA CONSUMPTION OF STEEL AND ENERGY AND GROWTH IN IMPORT AND EXPORT VOLUMES.

AS WE KNOW, THE MODI GOVERNMENT HAS PURSUED A STRONG REFORM AGENDA SINCE COMING TO POWER IN MAY 2014. KEY POLICY PILLARS INCLUDE:

- **THE STIMULATION OF THE MANUFACTURING AND ENERGY SECTORS,**
- **FACILITATING INFRASTRUCTURE INVESTMENT,**
- **FINANCIAL AND REGULATORY REFORM**
- **AND ELIMINATION OF GOVERNMENT RED TAPE.**

RECENT YEARS HAVE SEEN REMARKABLE GROWTH IN THE TRADING RELATIONSHIP BETWEEN INDIA AND AUSTRALIA. BILATERAL TRADE IN GOODS AND SERVICES HAS GROWN IN VALUE FROM \$6.8 BILLION IN FY2003/04 TO \$15.8 BILLION IN 2014. [Source: DFAT India Fact Sheet]

ON THE OTHER HAND THE SCALE OF THE OPPORTUNITY FOR FURTHER GROWTH IN THE RELATIONSHIP CAN BE SEEN WHEN WE COMPARE THAT \$15.8BN TRADE WITH THE EQUIVALENT NUMBERS OF \$60.4BN WITH THE USA AND A STAGGERING \$152.5BN WITH CHINA. INDEED IN 2014 AUSTRALIA WAS ONLY THE 17th LARGEST IMPORT SOURCE FOR INDIA AND THE 33rd LARGEST EXPORT DESTINATION FOR INDIA.

SIMILARLY, RECIPROCAL IN-COUNTRY INVESTMENT BY OUR TWO NATIONS IN EACH OTHER IS ALSO DWARFED BY AUSTRALIA’S RELATIONSHIPS WITH THE USA AND CHINA. IN THAT REGARD IN 2014 ACCORDING TO DFAT RECIPROCAL INVESTMENT BETWEEN AUSTRALIA AND INDIA AMOUNTED TO SOME \$20.8BN, WHEREAS THE EQUIVALENT WITH THE USA WAS \$1,333.7 BN AND WITH CHINA IT WAS \$122.4BN

THE EFFORTS OF OUR TWO GOVERNMENTS TO INCREASE THE BILATERAL ECONOMIC RELATIONSHIP, AND OUR ROLE AS BUSINESS AND COMMUNITY LEADERS IN THAT REGARD HAS TO BE SEEN IN THAT CONTEXT OF ENORMOUS OPPORTUNITY.

OF COURSE, NEGOTIATIONS ARE PROGRESSING POSITIVELY ON THE PROPOSED FREE TRADE AGREEMENT BETWEEN OUR NATIONS. CONCLUDING THE FTA WILL BE A FURTHER SPUR TO TRADE, NOT ONLY IN TERMS OF TRADITIONAL TRADE SUCH AS RESOURCES AND GOODS, BUT MORE PARTICULARLY, SERVICES AND EDUCATION.

TAKE FOR EXAMPLE, THE FACT THAT INDIA WILL NEED TO TRAIN SOME 400 MILLION PEOPLE TO A POST-SECONDARY LEVEL OVER COMING YEARS. BY 2014 AUSTRALIA WAS HOSTING ABOUT 63,000 FULL FEE PAYING INDIAN STUDENTS, ALBEIT THE EQUIVALENT NUMBER OF STUDENTS AT THAT TIME IN AUSTRALIA FROM CHINA WAS 153,000.

HERE'S THE PLATFORM THEREFORE FOR GREAT COMMERCIAL OPPORTUNITIES FOR AUSTRALIAN COMPANIES AND INSTITUTIONS, IN DEEPENING RELATIONSHIPS AND GROWING MUTUAL INTEREST IN TRADE, SERVICES AND INVESTMENT.

AURIZON IS ONE OF THOSE COMPANIES ACTIVELY LOOKING TO EXPAND OUR RELATIONSHIP WITH INDIA.

A LITTLE BACKGROUND:

AURIZON IS AUSTRALIA'S LARGEST RAIL FREIGHT COMPANY, AND IN MANY SENSES, A BAROMETER OF NATIONAL ECONOMIC ACTIVITY. WE ARE SIGNIFICANTLY LEVERAGED TO KEY EXPORT COMMODITIES SUCH AS RESOURCES AND AGRICULTURAL PRODUCTS. AURIZON IS THE PREDOMINANT TRANSPORTER OF AUSTRALIAN EXPORT COAL WITH OUR TRAINS CARRYING APPROXIMATELY 54% OF ALL EXPORTS IN FY2015.

APPROXIMATELY 22% - OR ABOUT 50 MILLION TONNES - OF INDIAN COAL IMPORTS WERE SOURCED FROM AUSTRALIA LAST FINANCIAL YEAR. THE MAJORITY OF THIS WAS METALLURGICAL COAL, USED FOR STEELMAKING. ONLY AROUND 7 MILLION TONNES OF THERMAL WAS IMPORTED FROM AUSTRALIA FOR INDIAN POWER GENERATION.

WHILE INDIA WAS THE LARGEST MARKET FOR AUSTRALIA'S METALLURGICAL COAL IN THE FIRST HALF OF CALENDAR 2015, THERE REMAINS CONSIDERABLE SCOPE FOR GROWTH GIVEN THAT OF AUSTRALIA'S TOTAL COAL EXPORTS IN FY15, INDIA AT 50MT ACCOUNTED FOR 13% OF THE TOTAL.

OVER COMING YEARS, INDIA LOOKS SET TO CEMENT AN EVEN STRONGER POSITION AS ONE OF AUSTRALIA'S MAJOR COAL EXPORT MARKETS.

IN TERMS OF EXPORTS FROM AUSTRALIA, THE OPPORTUNITY I WOULD LIKE DRAW OUT HERE TODAY IS THEREFORE FOCUSED ON THE GROWTH OF BOTH THE STEEL AND ENERGY SECTORS IN INDIA, AND ON AUSTRALIA'S HIGH QUALITY AND ABUNDANT COAL RESERVES.

THIS OPPORTUNITY, OF COURSE, FLOWS THROUGH THE SUPPLY CHAIN TO AUSTRALIAN MINERS, AND RAIL AND PORT INFRASTRUCTURE PROVIDERS.

WE ALSO SEE IN-COUNTRY OPPORTUNITY, ESPECIALLY AS THE ECONOMY RE-ENERGISES UNDER THE LEADERSHIP OF PRIME MINISTER MODI.

AT AURIZON AS WE THINK ABOUT BUSINESS DEVELOPMENT OPPORTUNITIES, WE TAKE AN EVIDENCE-BASED APPROACH, LOOKING AT THE BEST RESEARCH AND ANALYSIS, AND MARKET

INTELLIGENCE FROM AUTHORITIES SUCH AS THE INTERNATIONAL ENERGY AGENCY AND THE WORLD BANK.

WE ALL UNDERSTAND HOWEVER THAT IN ADDITION THERE IS TREMENDOUS VALUE IN ON-THE-GROUND UNDERSTANDING AND RELATIONSHIPS. IN ADDITION TO THAT EXPERIENCE OF NEARLY 25 YEARS I REFERRED TO EARLIER, TOGETHER WITH EXECUTIVE COLLEAGUES, I ALSO SPENT A WEEK IN INDIA EARLIER THIS YEAR LEARNING FIRST-HAND ABOUT MARKET DEMAND AND KEY ECONOMIC DRIVERS. WE WERE VERY FORTUNATE IN BEING GIVEN ACCESS TO SOME OF COUNTRY'S BEST ECONOMIC AND GOVERNMENT ADVISORS.

THIS KNOWLEDGE HAS RE-AFFIRMED MY CONFIDENCE IN INDIA'S FUTURE ECONOMIC GROWTH, AND MOST TELLINGLY, COUNTER-BALANCES SOME OF THE UNINFORMED AND INDEED BLATANTLY BIASED COMMENTARY ON COAL THAT'S BECOME COMMONPLACE. THIS IS PARTICULARLY THE CASE FOR THERMAL COAL AND ENERGY DEMAND.

WE KNOW, FOR EXAMPLE, THAT THERE'S A PIPELINE OF POWER PLANTS UNDER CONSTRUCTION IN INDIA EQUATING TO ABOUT 84 GIGAWATTS OF ENERGY. THESE WILL REQUIRE AROUND AN ADDITIONAL 250 MILLION TONNES OF COAL EACH YEAR.

ABOUT 13.3 GIGAWATTS OF THIS OUTPUT IS LOCATED ON THE COAST AND POSITIONED WELL TO UTILISE IMPORTED PRODUCT, WHICH TRANSLATES ROUGHLY TO AN ADDITIONAL 40 MILLION TONNES OF THERMAL COAL PER YEAR.

FROM 2017, THE INDIAN GOVERNMENT HAS MANDATED THAT ALL NEW COAL-FIRED PROJECTS ARE REQUIRED TO USE SUPERCRITICAL TECHNOLOGY OR BETTER. THESE TECHNOLOGIES OPERATE AT A HIGHER EFFICIENCY THAN SUBCRITICAL PLANTS AND AS SUCH USE LESS COAL AND GENERATE FEWER EMISSIONS. PLANTS USING THESE TECHNOLOGIES RUN MORE OPTIMALLY USING HIGH-ENERGY, LOW ASH COAL THAT ARE PRODUCED BY AUSTRALIAN MINES. INDIA'S COAL RESOURCES ARE TYPICALLY LOW-ENERGY AND HIGH ASH.

THE COAL SCEPTICS PUT FORWARD THE PROPOSITION THAT RENEWABLES ARE GOING TO MIRACULOUSLY FILL THE ENERGY VOID IN COMING DECADES FOR INDIA. INVARIABLY, THE THESIS IS PREDICATED ON 5% GDP GROWTH RATE, YET A 7-10% GROWTH RATE IS FAR MORE LIKELY.

TO ADD SOME CONTEXT, IN TERMS OF INSTALLED CAPACITY COAL REPRESENTS 61% AND RENEWABLES 13% OF EXISTING INDIAN CAPACITY. THUS IN SIMPLE MATHEMATICAL TERMS IF YOU ASSUME COAL WILL GROW AT A VERY MODEST 2%pa FOR RENEWABLES TO OUTSTRIP COAL CAPACITY ADDITIONS WOULD REQUIRE A GROWTH RATE IN EXCESS OF 10%.

AURIZON ACCEPTS THE SCIENTIFIC CONSENSUS ON CLIMATE CHANGE AND WE AGREE THAT RENEWABLES WILL GROW. HOWEVER, ELECTRICITY DEMAND AND CONSUMPTION WILL GROW AT A FAR FASTER RATE AND COAL WILL CONTINUE TO BE A KEY LOW-COST, RELIABLE SOURCE OF ENERGY. THIS POSITION IS SUPPORTED BY THE INTERNATIONAL ENERGY AGENCY.

THIS IS NOT AN IDEOLOGICAL DISCUSSION, NOR A MORAL ARGUMENT. BUT RATHER A PRACTICAL, PRAGMATIC APPROACH TO A COUNTRY'S RAPIDLY GROWING ENERGY NEEDS.

WE ALSO NEED SOME BROADER PERSPECTIVE.

INDIA CURRENTLY PRODUCES ABOUT 600 MILLION TONNES OF DOMESTIC COAL A YEAR, AND HAS AMBITIONS TO GROW THIS PRODUCTION. WE READILY ACKNOWLEDGE THAT GOVERNMENT

POLICY WILL DETERMINE THAT THE VAST MAJORITY OF THERMAL COAL SUPPLY WILL BE DOMESTIC.

HOWEVER THE NICHE FOR AUSTRALIAN COAL PRODUCERS IS ABUNDANTLY CLEAR. OFF A VERY SMALL BASE OF 1 MILLION TONNES A YEAR IN 2005, WE HAVE SEEN A SIXFOLD INCREASE IN AUSTRALIAN EXPORTS TO INDIA. THINK OF THE GENUINE OPPORTUNITY HERE FOR HIGH-QUALITY AUSTRALIAN COAL IN FUELLING NEW HIGH-TECHNOLOGY POWER PLANTS.

THIS WOULD CERTAINLY BE AN ENABLER FOR THE NEXT, ACCELERATED PHASE OF INDIAN ECONOMIC AND SOCIAL DEVELOPMENT. IT WOULD ASSIST INDIA ACHIEVE HIGHER ECONOMIC ACTIVITY AT A LOWER EMISSIONS INTENSITY.

LET ME NOW TURN TO THE OPPORTUNITY OF METALLURGICAL COAL.

AS CHINA'S ECONOMY REBALANCES, INDIA HAS EMERGED AS THE KEY SOURCE OF FUTURE COMMODITY DEMAND GROWTH AND THIS IS PARTICULARLY TRUE FOR SEABORNE-TRADED METALLURGICAL COAL.

CONSUMPTION OF METALLURGICAL COAL BY INDIA'S STEEL INDUSTRY IS PROJECTED TO INCREASE SIGNIFICANTLY OVER COMING YEARS, REFLECTING RAPID GROWTH IN DEMAND FROM A RELATIVELY MODEST BASE.

STEEL 'STOCK-IN-USE' IS A USEFUL METRIC TO ILLUSTRATE THIS POINT. THIS REFERS TO THE ACCUMULATED QUANTITY OF STEEL IN CAPITAL GOODS SUCH AS BUILDINGS, INFRASTRUCTURE, CARS AND MACHINERY.

ON A PER CAPITA BASIS, STEEL STOCK-IN-USE IN INDIA'S ECONOMY CURRENTLY SITS AT 0.7 TONNES, AND REMAINS MUCH LOWER THAN CHINA AT 5.6 TONNES AND DEVELOPED ECONOMIES SUCH AS THE UNITED STATES AT 13 TONNES. IN OTHER WORDS, INDIA IS AROUND 25 YEARS BEHIND CHINA IN TERMS OF STEEL CONSUMPTION.

TO MEET THIS GROWING DEMAND, WOOD MACKENZIE FORECASTS INDIA'S ANNUAL CRUDE STEEL PRODUCTION WILL MORE THAN DOUBLE OVER THE NEXT 15 YEARS, FROM 85 MILLION TONNES IN 2014 TO 176 MILLION TONNES IN 2030.

THIS LEVEL OF GROWTH IN STEEL PRODUCTION COULD REPRESENT AROUND 60 MILLION TONNES OF ADDITIONAL METALLURGICAL COAL CONSUMPTION PER YEAR.

IN FACT THESE NUMBERS COULD BE VERY CONSERVATIVE IF PREDICTIONS BY INDIAN STEEL AND MINES MINISTER NARENDRA SINGH EVENTUATE. IN AN INTERVIEW WITH WSJ IN JUNE MINISTER SINGH SPOKE OF A USD\$ 46BN INVESTMENT BEING UNDERTAKEN BY INDIAN COMPANIES TO TREBLE OUTPUT BY 2025.

INDIA HAS MINIMAL DOMESTIC METALLURGICAL COAL RESOURCES TO MEET GROWTH IN DEMAND AS INDIA'S BLAST FURNACE CAPACITY EXPANDS.

AUSTRALIAN PRODUCERS AND AURIZON ARE OPTIMALLY POSITIONED TO SATISFY FUTURE GROWTH IN INDIA'S DEMAND FOR SEABORNE METALLURGICAL COAL.

LET'S BRING THIS DISCUSSION BACK TO THE COMMERCIAL OPPORTUNITY HERE IN AUSTRALIA, AND PARTICULARLY THE NEXT PHASE OF THERMAL COAL DEVELOPMENT.

AURIZON HAS BEEN A KEY PARTICIPANT IN ASSESSING THE MASSIVE PROSPECTS IN QUEENSLAND'S GALILEE BASIN. WE HAVE BEEN WORKING CLOSELY WITH GVK HANCOCK, AND WE ALSO NOTE THE ADVANCED WORK OF ADANI IN THIS SAME SPACE. HERE QUEENSLAND HAS VERY LARGE RESERVES OF HIGH-QUALITY THERMAL COAL, WITH LOW OVERBURDEN AND STRIP RATIOS.

AT THIS POINT IN THE COMMODITY CYCLE, HOWEVER WE CLEARLY UNDERSTAND THE CHALLENGING INVESTMENT CASE FOR THE PROPOSED DEVELOPMENT OF RAIL AND PORT INFRASTRUCTURE. GALILEE MINES ARE MUCH FURTHER FROM PORTS THAN EXISTING MINES AND WITHOUT ACCESS TO THE EXISTING CENTRAL QUEENSLAND COAL NETWORK.

AURIZON'S AIM HAS BEEN CLEAR AND CONSISTENT THROUGHOUT: THE GALILEE NEEDS THE MOST ECONOMICALLY-VIABLE, LOWEST COST CAPITAL SOLUTION IF WE'RE GOING TO LIBERATE THE RESOURCES. THIS OBJECTIVE HAS DRIVEN AURIZON'S PROPOSED INFRASTRUCTURE SOLUTION THAT CONNECTS INTO OUR EXISTING CENTRAL QUEENSLAND NETWORK. WE ESTIMATE OUR SOLUTION WOULD BE \$1 BILLION CHEAPER TO BUILD THAN A NEW CORRIDOR. WE BELIEVE THAT TO BE A HUGE OPPORTUNITY FOR MINING PROPONENTS.

LIKEWISE, WE APPRECIATE AND SHARE A DEGREE OF FRUSTRATION ABOUT DEVELOPMENT TIMEFRAMES FOR THE GALILEE BASIN. THERE'S ROUND AFTER ROUND OF LEGAL CHALLENGE, ONGOING ENVIRONMENTAL CONTROVERSY, AND A MULTITUDE OF ENVIRONMENTAL AND REGULATORY REQUIREMENTS TO TRAVERSE. AND CLEARLY, THERE'S A NUMBER OF COMMERCIAL AND MARKET HURDLES YET TO BE CLEARED.

I WOULD SIMPLY REMIND PEOPLE THAT HERE, AS I HAVE DEMONSTRATED, WE HAVE AN OUTSTANDING ECONOMIC OPPORTUNITY FOR QUEENSLAND AND FOR AUSTRALIA, WITH HIGH-ENERGY, LOW-ASH COAL. THE GLOBAL DEMAND IS STRONG AND LIKELY TO GROW, DESPITE CHANGES IN ENERGY MIX.

WE HAVE AMONG THE WORLD'S STRICTEST AND MOST EFFECTIVE ENVIRONMENTAL REQUIREMENTS IN PLACE, AND A SAFETY RECORD THAT IS SECOND TO NONE.

AND THE REALITY IS THAT IF AUSTRALIA DOES NOT SUPPLY THE COAL DEMANDS OF DEVELOPING NATIONS, OTHER COUNTRIES CERTAINLY WILL. THE NET OUTCOME WILL MOST LIKELY BE NEGATIVE FOR CARBON EMISSIONS AS THE ALTERNATIVE SOURCES OF COAL WILL NOT MATCH THE QUALITY OF AUSTRALIA'S COAL.

FINALLY TODAY, I WILL BRIEFLY GO TO AURIZON'S INTEREST IN-COUNTRY IN INDIA.

AURIZON HAS DONE SOME PRELIMINARY WORK TO LOOK AT DIRECT INVOLVEMENT IN RAIL AND LOGISTICS OPPORTUNITIES IN INDIA.

AS I MENTIONED, IN JUNE, TWO OF MY SENIOR EXECUTIVE COLLEAGUES AND I SPENT A WEEK IN INDIA AND ENGAGED WITH A WIDE RANGE OF KEY MINISTERS, DEPARTMENT HEADS, AND REPRESENTATIVES FROM THE BUSINESS AND FINANCIAL COMMUNITY

WE CAME AWAY FROM THIS VISIT WITH A TREMENDOUS SENSE OF OPTIMISM. THE MOMENTUM OF ECONOMIC GROWTH AND THE POLITICAL DESIRE FOR REFORM IN INDIA IS VERY REAL AND SIGNIFICANT. NO DOUBT, WE NEED TO WEIGH THAT OPTIMISM AGAINST THE DEGREE OF DIFFICULTY IN ENTERING SUCH A DYNAMIC MARKET.

OUR AGENDA IS SIMPLE – TO EXPLORE GROWTH MARKETS WHERE AURIZON CAN LEVERAGE OUR CAPABILITY IN RAIL-BASED INTEGRATED SUPPLY CHAINS.

WE ARE IN NO PARTICULAR RUSH WITH RESPECT TO INDIA AND OTHER INTERNATIONAL MARKETS. WE WILL BE DISCIPLINED AND DELIBERATE IN ASSESSING THESE OPPORTUNITIES. CONCURRENTLY HOWEVER, WE ARE BUILDING RELATIONSHIPS AND SPECIFIC KNOWLEDGE, SO WE ARE POSITIONED FOR CONSIDERATION SHOULD AN OPPORTUNITY BECOME AVAILABLE.

I WOULD LIKE TO ACKNOWLEDGE THE TREMENDOUS SUPPORT AURIZON HAS RECEIVED FROM AUSTRALIA'S HIGH COMMISSIONER FOR INDIA, PATRICK SUCKLING. HIS BUSINESS AND GOVERNMENT INTRODUCTIONS WERE INVALUABLE, TOGETHER WITH IN-COUNTRY ASSISTANCE ON THE LOGISTICS SIDE.

WE HAVE GOT A SMALL TEAM CONTINUING TO WORK THROUGH A RANGE OF QUESTIONS AND THOUGHTS THAT EMERGED FROM OUR VISIT. THERE'S CERTAINLY NOTHING IMMINENT, BUT IN MY VIEW, THE NATURE AND SCALE OF OPPORTUNITY IS SUCH THAT IT SHOULD NOT BE IGNORED. WE UNDERSTAND THE MEANING OF PATIENCE AND REFLECTION, AND THAT IS WHAT WE ARE DOING.

LET ME MAKE A FEW CLOSING OBSERVATIONS THEN ON THE BROADER OPPORTUNITY FOR AUSTRALIA.

THERE SEEMS TO BE MUCH WRINGING OF HANDS IN POLITICAL, BUSINESS AND COMMUNITY CIRCLES ABOUT THE ECONOMIC FUTURE OF AUSTRALIA, AND WHERE TO FROM HERE: FOR NATIONAL INCOME, JOBS AND OUR HIGH STANDARD OF LIVING. THE MINING BOOM HAS APPARENTLY "ENDED" AND SOME ARE READING THE COAL INDUSTRY ITS LAST RITES.

I WOULD SIMPLY SAY, THE FACTS DO NOT FIT THIS NARRATIVE.

THE INDIAN GROWTH STORY, HAPPENING RIGHT NOW AND LIKELY FOR DECADES TO COME, OFFERS EXTRAORDINARY OPPORTUNITIES FOR AUSTRALIA AND AUSTRALIAN BUSINESSES.

THIS EXTENDS TO SO MANY LEVELS BEYOND TRADITIONAL EXPORT MERCHANDISE - TO SERVICES, EDUCATION AND TOURISM. AND IT'S UNMISTAKABLY MASSIVE IN SCALE.

BUT WE NEED TO BE SMART, RESPONSIVE AND DISCIPLINED.

WE NEED TO UNDERSTAND WHAT'S HAPPENING ON THE GROUND IN INDIA, AND THE NATURE AND PACE OF ECONOMIC REFORMS BEING CHAMPIONED BY PM MODI.

WE NEED TO BE MEASURED AND PRAGMATIC. BUT WE NEED TO BE PREPARED TO WORK HARD, TO BE PATIENT, TO BUILD UNDERSTANDING AND RELATIONSHIPS. THERE ARE FEW IF ANY EASY WINS, AND THERE WILL CONTINUE TO BE FRUSTRATIONS AND MISSTEPS ALONG THE WAY.

CLOSER TO HOME FOR AURIZON AND OUR CUSTOMERS, WE NEED TO KNOW HOW ENERGY EFFICIENCY AND ENVIRONMENTAL REQUIREMENTS WILL BE PART OF THIS ECONOMIC PLAN. AND HOW TECHNOLOGY WILL DELIVER CLEANER, LOWER EMISSION ENERGY THROUGH A RANGE OF ENERGY SOURCES, INCLUDING COAL.

AND WE NEED VOICES OF REASON TO STATE CLEARLY AND LOGICALLY WHY IT'S NOT THE END FOR AUSTRALIAN COAL.

THAT WE'VE GOT HIGH QUALITY RESOURCES, IN HIGH DEMAND, AND THAT THESE WILL CONTINUE TO PLAY A STRONG ROLE IN DEVELOPING ECONOMIES.

LIKE PRIME MINISTER MALCOLM TURNBULL WHO HAS CAPTURED THE COAL NARRATIVE SO ELOQUENTLY IN RECENT WEEKS. IT'S A MUCH MORE NUANCED AND BALANCED COMMENTARY THAN THE ANTI-COAL MOVEMENT WOULD LIKE US TO BELIEVE.

YES, THE ENERGY MIX MAY CHANGE BUT HIGH QUALITY AUSTRALIAN COAL HAS A FUTURE FOR MANY DECADES TO COME.

AND LIKEWISE, I COMMEND TRADE MINISTER ANDREW ROBB IN HIS CONTINUING EFFORTS TO CLOSE OUT THE TRADE AGREEMENT WITH INDIA. RIGHTLY, HE SAYS THAT IT IS HIS GREATEST PRIORITY. HE GENUINELY UNDERSTANDS AND ENVISIONS THE MAJOR ECONOMIC BENEFITS THAT WILL FLOW FROM SUCH AN AGREEMENT.

THIS IS THE STRONG LEADERSHIP WE NEED FROM POLITICIANS IF AUSTRALIA IS TO CAPTURE THE OPPORTUNITY BEFORE US. BUT JUST AS IMPORTANTLY, BUSINESS AND COMMUNITY LEADERS WILL ALSO NEED TO DEMONSTRATE STRENGTH OF LEADERSHIP IF THE OPPORTUNITIES ARE GOING TO BE REALISED.

ENDS